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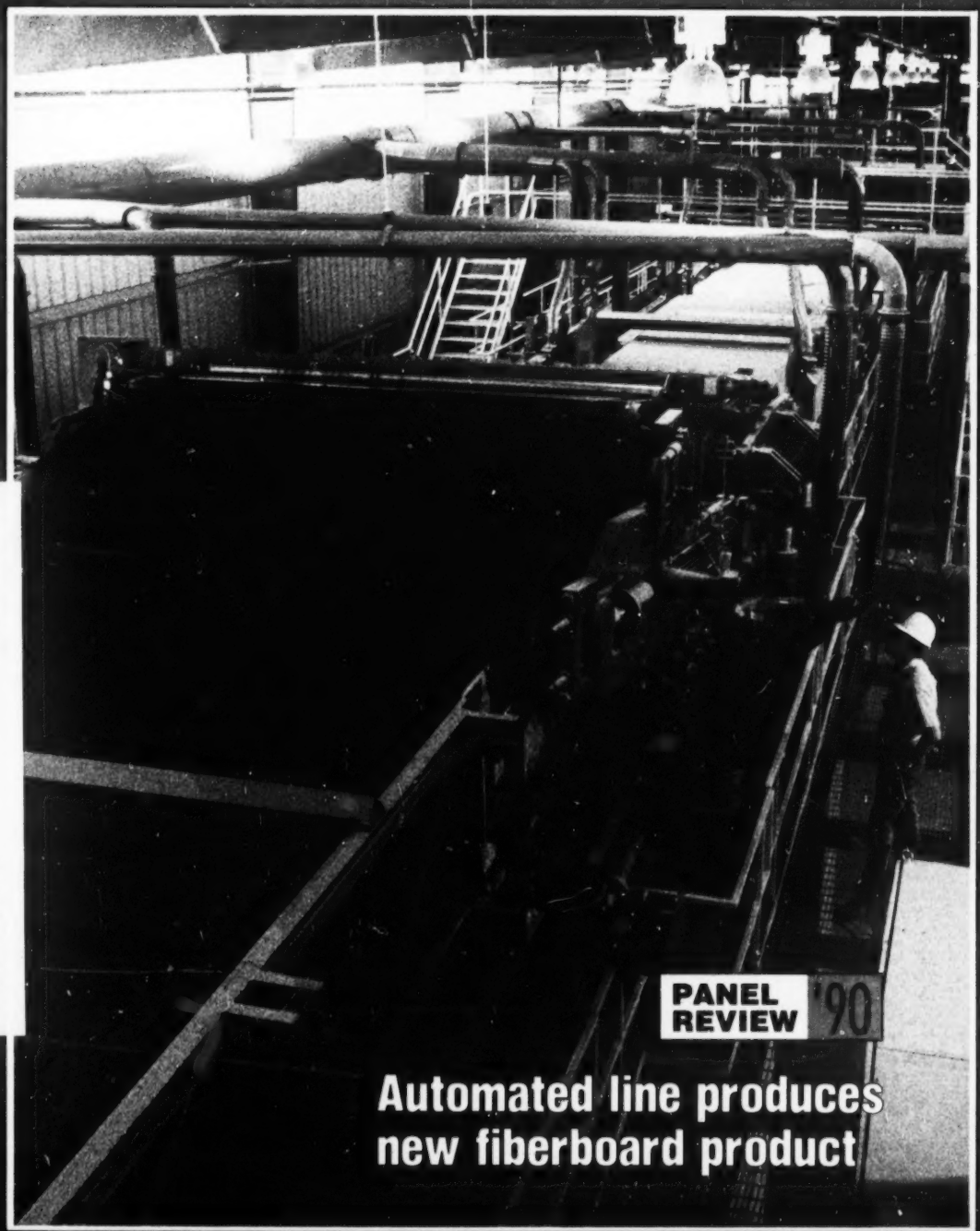
APRIL 1990



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With some exceptions, panel output strides ahead

OSB leaps into the breech as softwood plywood suffers from strikes, timber shortages. MDF consumption continues to climb

Raw material shortages and a tepid housing market combined to cast a few sprinkles on the panel industry's garden party last year, but not so many as to send participants running for shelter. Structural panel and particleboard output eased back slightly—almost immeasurably, in the case of particleboard—from 1988 record levels, while medium-density fiberboard shipments continued an upward course begun in 1983. Hardboard shipments also increased.

Since recovery from the recession of the early 1980s, panel makers largely have grown accustomed to setting records each year. Thus, 1989 production and shipment levels, while not at all-time highs, were still pretty good. Structural panel production would have set a record two years previously, particleboard likewise in 1988.

Figures for the decade are shown in the table on this page. In summary:

- Structural panels (softwood plywood, oriented strand board, waferboard and oriented waferboard) in 1989 slipped 2.6% from the year before to a production level of 26.5 billion ft² (⅜-in. basis).
- Particleboard shipments nearly tied the 1988 mark. At an estimated 3.827 billion ft² (¾-in. basis), the total was less than a tenth of a percentage point behind the previous year's record.
- MDF shipments in 1989 inched up 1.4% to a record 951.8 million ft² (¾-in. basis). The one billion foot mark continues to elude MDF producers.
- Hardboard shipments increased 1.5% to 5.2 billion ft² (⅛-in. basis).

Structural panels

Within the 26.5 billion ft² total, the shifting relationship between softwood plywood and non-veneer panels deserves notice. Softwood plywood production last year dropped 5.3% to 21.4 billion ft² while OSB *et al* jumped 10.9% to 5.1 billion ft². Plywood represented 83% of the total in 1988; 76% in 1989.

The American Plywood Assn. forecasts structural panel production in 1990 will increase 2% to 27.1 billion ft².

The softwood plywood industry has been hurt badly by preservation-related federal timber sale cutbacks in the West. The lower plywood figures also reflect production lost to strikes against two major plywood producers, as well as an 8% decline in home building last year.

Housing starts in 1989 totaled 1,358,500 units. The

U.S. panel production, 1979-1989 (thousand ft²)

Year	Structural panels (⅜-in. basis)	Particleboard[1] (¾-in. basis)	MDF[1] (¾-in. basis)	Hardboard[1] (⅛-in. basis)	Hardwood Veneer[1] (Surface)
1979	19,653,000	3,376,488	506,728	7,687,798	1,323.8
1980	16,468,000	2,949,897	493,140	6,140,000	1,190.0
1981	17,023,000	2,869,352	516,102	6,104,000	1,070.0
1982	16,402,554	2,393,066	446,157	5,586,918	1,032.9
1983	20,821,342	3,009,343	604,323	7,302,702	1,127.5
1984	21,967,917	3,195,586	633,974	6,837,118	1,085.5
1985	22,838,170	3,330,517	684,593	6,300,146	942.9
1986	25,632,830	3,602,757	780,598	5,822,328	1,239.3
1987	27,001,000	3,705,560	899,282	5,457,508	1,113.4
1988	27,202,822	3,829,021	938,717	5,117,857	1,124.4
1989	26,490,320	3,827,649[2]	951,897[2]	5,195,651	n.a.

[1] Shipments; [2] Estimated.

figure in 1988 was 1,469,214 units. The National Assn. of Home Builders estimates 1.38 million starts this year.

"Despite the decline in housing, it is encouraging that demand has continued to grow in the nonhousing structural panel markets," observed APA president William T. Robison. "If we can only bring some common sense to the resource issue, the panel industry can look forward to furthering its nonhousing market gains and enjoying a modicum of good health."

APA expects home building to remain soft through the first half of 1990 but improve modestly in the second half. Home remodeling should continue to improve.

Domestic nonhousing markets will provide a mixture of opportunities, APA projects: nonresidential building will bottom out, nonbuilding construction will increase and industrial markets should experience a renewal.

Exports should rise to 1.75 billion ft² this year from 1.5 billion ft² in 1989.

Particleboard and MDF

Combined shipments of the two products in 1989 were estimated by the National Particleboard Assn. at 4.78 billion ft² (¾-in. basis). When calculated this way, these two segments put another record into the books last year, also the seventh consecutive year in which shipments increased. MDF, as noted, contributed the margin of gain.

NPA's latest survey shows U.S. matformed particleboard capacity was 4.325 billion ft² at the beginning of 1990. Capacity will increase to 4.5 million ft² by the end of the year. The Allegheny Particleboard plant in Mt. Jewett, Pa., is due to start up in May; another 315 million ft² of capacity should be added through 1992.

MDF capacity in the U.S. was 1.035 billion ft² as 1990 began, and should be 1.055 billion ft² by Dec. 31. Louisiana-Pacific's Urania, La., line, due for completion in October, will offset the March 1990 closure of Weyerhaeuser Co.'s Broken Bow, Okla., plant. Next year should see another 100 million ft² added to MDF capacity.

Promotion of particleboard and MDF products to retailers and end users through the Particleboard/MDF Institute is stepping up. Now in its second year, the Institute is gaining momentum as it focuses on its ongoing marketing assignment. The first annual meeting, last Oct. 16 and 17 in Tempe, Ariz., attracted over 70 delegates. The Institute was founded Jan. 1, 1989.

Norman Voss of Georgia-Pacific Corp. was elected chairman; Jack Beene of Temple-Inland Forest Products Corp. was elected vice chairman.

Hardboard

Shipments of hardboard products from U.S. plants in 1989 arrested a downward slide that has been in place since 1983, even though save 1988, the volume is the lowest in the decade.

However, the hardboard industry outperformed predictions in 1989 with siding shipments up 1% and industrial product shipments up 3% from 1988 levels. Producers expect slow but steady growth in 1990, noted C. Curtis Peterson, executive vice president of the American Hardboard Assn.

AHA has expanded its services to include support of hardboard siding marketing with an aggressive advertising and public relations program, Peterson pointed out. ■

Canadian panel output continues growth

Production and shipments of non-veneered wood panels from Canadian mills increased substantially in 1989, while plywood hovered close to the 1988 mark.

As the table shows, production of construction-type plywood inched upward a slight 0.2% to 2.165 million m³. Shipments declined 1.6% to 2.148 million m³.

Particleboard production and shipments increased 5.4% from the year before, while waferboard production and shipments soared 31.6% and 29.5%, respectively. Hardboard shipments more than doubled.

Plywood and particleboard figures for 1989 stayed below high marks set in 1987. Waferboard/OSB production and capacity have increased annually.

Canadian hardboard shipments, at 92,990 m² (⅛-in. basis), exceeded 1988's 39,290 m² by 137%.

For softwood plywood, the picture in British Columbia last year was much better than that for the country as a whole. A buoyant domestic economy and a healthy export market kept the B.C. plywood industry operating at full capacity in 1989.

Canadian panel production, 1984-89 (m³)

Year	Const. plywood	Particleboard	Waferboard/OSB
1989	2,165,356	1,279,781	2,167,781
1988	2,161,658	1,213,364	1,646,663
1987	2,229,000	1,355,107	1,607,171
1986	1,876,896	1,139,253	1,347,638
1985	1,957,887	1,047,500	1,336,566
1984	1,846,369	843,346	1,190,254

The 14 member mills of the Council of Forest Industries of B.C. (COFI), which account for 72% of all Canadian softwood plywood, reported increases in domestic and export shipments for the fourth year in a row to 1.764 billion ft². Shipments within Canada were 1.458 billion ft² (⅜-in. basis), 7.6% over 1988, while exports jumped 18% to 306 million ft².

The United Kingdom remained the largest export market for COFI Exterior plywood. Exports to Japan jumped 34% to move past Germany into second place. Exports to the UK, at 155 million ft², were up 9%.

COFI carried on an aggressive program of plywood promotion and market development in 1989.

"Our members are developing enhanced versions of some basic plywood grades," noted Peter Metcalfe, COFI plywood market development manager. These include COFI-Roof sheathing, which has a patented edge profile, and solid-core underlayment panels.

Increased activity in industrialized building is good for plywood. The stressed skin panel roofing system promoted by COFI has been received enthusiastically by builders, particularly in the U.K.

Projects relating to 1992 Eurocodes and harmonization of standards were high on the priority list at COFI's North Vancouver Technical Center in 1989. ■

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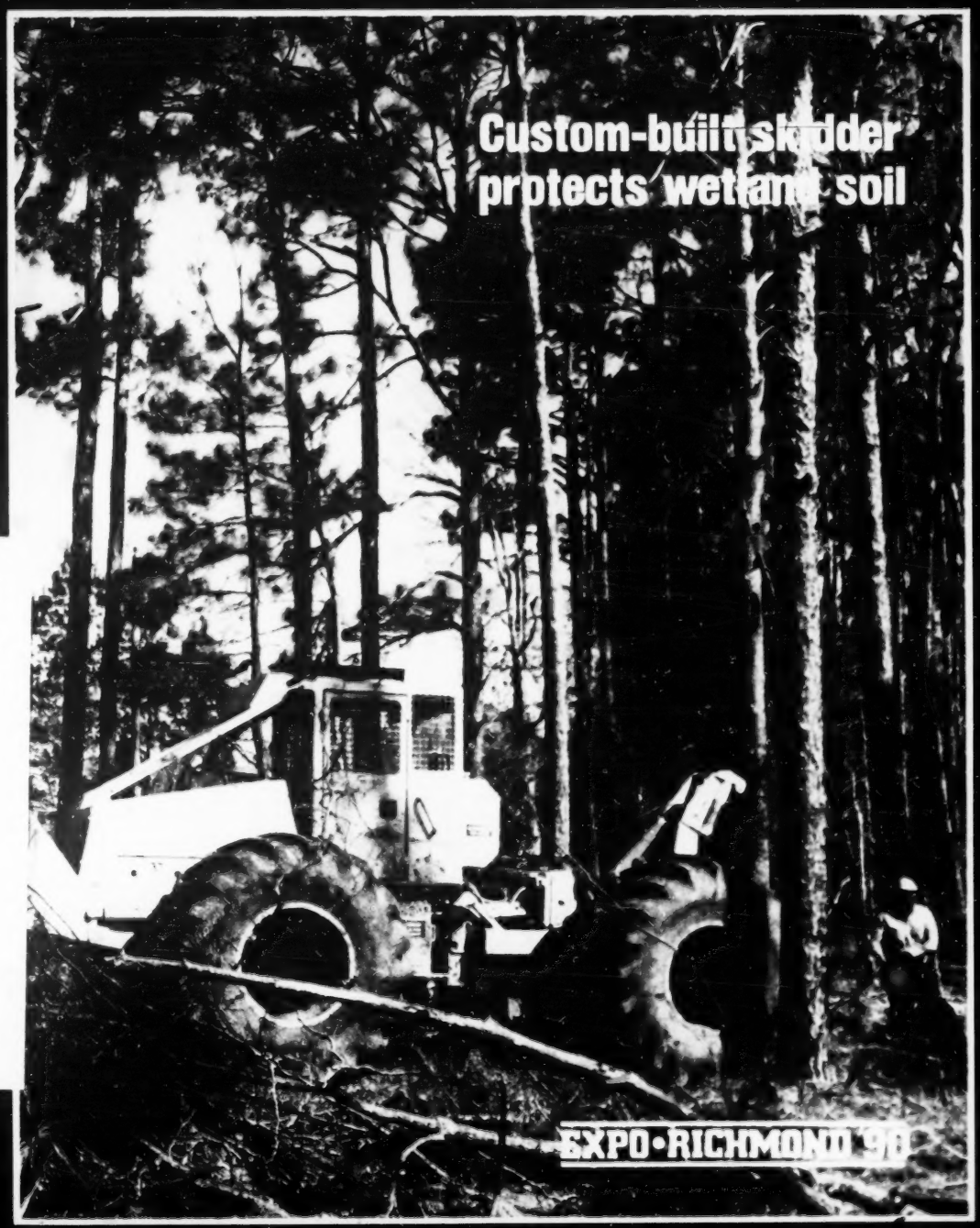

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NEWS

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10 **Era ends with plans to sell Gilchrist holdings** Among casualties of the preservationist-rooted timber shortage in the West may soon be counted one of the nation's last sawmill company towns—Gilchrist, Ore.

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12 **Drugs and booze: how should employers deal with abuse?** Workers in woods and mills abuse legal and illegal drugs like other Americans; seminar suggests ways to solve problems

15 **Custom-built skidder protects wetland soil** Lowery Logging, Lumberton, N.C., continues to salvage Hurricane Hugo-damaged timber; has prevailed against rain and mud, then personal injury, and finally, heat

M-3 **The future of yellow poplar structural lumber** An opening in construction lumber markets for yellow poplar may be developing. But success will require innovations

M-8 **Possible computer systems for future hardwood mills** Are computer vision systems and automated or computer-aided edging and trimming systems in the future of hardwood sawmills? The answer is yes

L-2 **Logger returns to woods after trying hand at trucking** Georgia logger Kenneth Moore felt he needed a career change. So he took up trucking. After three months he returned to the woods with a new crew and equipment

21 **Record turnout seen for Expo Richmond** East Coast Sawmill and Logging Equipment Exposition is 30 years old this year; has grown steadily. Special show preview includes a list of exhibitors, show digest of products on display, and Suppliers' Showcase

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Stop logging to save owls, say agency scientists

The forest products industry was gutshot April 4 by six scientists from three agencies of the federal government, d.b.a. the Interagency Scientific Committee to Address the Conservation of the Northern Spotted Owl.

The committee recommended that 8,444,650 acres of timberland in all ownerships in Washington, Oregon and California be designated habitat conservation areas (HCAs) to protect 925 known current pairs, 1465 estimated current pairs and 1759 estimated future pairs of spotted owls.

After deducting land already reserved in wilderness areas, national parks and other setasides, this would convert into HCAs 5,066,790 acres of forested habitat currently available for timber production.

The 193 HCAs recommended would have a 50-year lifetime as the first phase of a two-stage owl protection program. The second stage calls for research and monitoring to fine-tune the initial strategy. HCAs vary in size from 50 to 676,000 acres.

While acknowledging larger issues such as old-growth forest management and biodiversity, the committee "kept to our mandate to develop a conservation strategy specifically for the northern spotted owl," recommending that an assessment of short-term economic and social impacts affecting timber availability "is critically important." Assignment of a coordinator and a state and federal interagency staff to oversee conduct of the conservation strategy was recommended.

The report indicates that owl habitat conditions, while usually found in old-growth forests, sometimes occur in younger forests as well.

Harvesting trees of any age class, including salvage and firewood cutting, would be prohibited in HCAs, as would virtually all road building. The proposal doesn't end with the HCAs however, defining all forestlands outside HCAs as the "forest matrix," within which timber harvesting should also be regulated as specified: when 50% of the forest landscape within each quarter township consists of forest stands with a mean dbh of 11 in. and a canopy closure of 40%.

"We have concluded that the owl is imperiled over significant portions of its range because of continuing losses of habitat from logging and natural disturbances," the report declared.

The panel was composed of four members from the U.S. Forest Service and one each from the Bureau of Land Management and Fish & Wildlife Service.

Timber harvesting impacts had not been calculated at press time.

The fallout from this report was predictable. Lumber and plywood prices surged nationwide, reported *Random Lengths*. Green lumber prices at western mills lifted sharply, atop increases which followed previous sawmill shutdown announcements. Plywood prices jumped in both western and southern pine producing regions.

Industry strategy appears directed toward spelling out the economic impact of such massive timber withdrawals not only to mill communities, but to consumers throughout the nation.

In Portland, Ore., forest industry employees from the area thronged a downtown plaza April 13 to demonstrate against further timber withdrawals.

While not binding, the scientists' report defines an optimum plan for owl protection which will be considered, along with issues such as employment and community survival, in deciding how much timber may be harvested annually from government—and possibly private—sources in the three western states, and from what specific locations. The committee's conclusion that the northern spotted owl is "imperiled" will certainly weigh heavily when the U.S. Fish & Wildlife Service decides whether or not to place the wee raptor on its threatened species list. That decision is to be made by June 23.

Meanwhile, shutdowns continue

The owl's usefulness to preservationists in pursuing restrictions against federal timber harvesting has been an issue for some time. Industry observers have been glum about economic prospects for western timber states.

In the April 1 issue of *PaperTree Letter*, analyst Evadna S. Lynn observed that timber supply constraints now overshadow demand influences upon structural panel prices. "Long-term, we expect the supply of western timber to continue declining, primarily in response to environmental pressures," wrote Lynn, first vice president-paper/forest products, Dean Witter Reynolds. Thus structural panel prices should jump sharply when the economy begins to strengthen.

Consultant Paul F. Ehinger has counted 46 sawmills and panel plants in Oregon, Washington and Idaho which have closed during the past two years—30 lumber mills with combined annual production of 1.2 billion bd ft, and 16 panel plants totaling 1.9 billion ft² in annual output.

"Ten to 20% of the current mill production will be gone by this time next year," he told the Portland *Oregonian*. "In the end, the consumer will pay."

Threatened harvesting curtailments could cost as many as 60,000 industry jobs in the Pacific Northwest, industry sources have estimated. ■

Proposed owl habitat conservation areas (Interagency committee recommendations)

	California	Oregon	Washington
Acres			
Major federal ownerships	1,555,400[1]	2,965,000[2]	2,673,000[2]
Other federal, state, private lands	448,250	217,000	586,000
Total	2,003,650	3,182,000	3,259,000
Number of HCAs	99	50	44

[1] National forests only. [2] National forests, BLM. [3] National forests, national parks.

Quip of the month

"How can you tell the difference between a preservationist and a terrorist?"

"You can negotiate with a terrorist."

Flooring mill reopens

The former Lindal Cedar Homes Ltd. hardwood flooring plant in Renfrew, Ont., reopened in April as Madawaska Hardwood Flooring Inc., after purchase by lumberman Ross Staples. Lindal had closed the plant in January. ■

Spiking, vandalism spread into South

Tree spiking, which has helped bring the term "eco-terrorism" into the industry's vocabulary, has migrated from the West to the South.

T&S Hardwoods Inc., Sylva, N.C., posted a $25,000 reward after 3½-in. nails were found in the sides and ends of about 30 logs, purchased and harvested by the firm, decked next to a clearcut on the Pisgah National Forest. Two incidents of equipment vandalism bracketed discovery of the spikes. Earlier, a bulldozer was used to push a T&S log skidder and bundle of logs over the side of a mountain. Slashed hydraulic hoses and damaged tires were found later on a logging machine elsewhere on the Pisgah.

District ranger Art Rowe said this was the first known case of tree spiking in the Southeast. An anonymous letter from Chicago, which claimed the nails were intended to discourage clearcutting on the Pisgah, directed officials to the site.

Such acts have been attributed by industry to the radical ecology group Earth First! Representatives of the group in various parts of the country have uniformly denied encouraging illegal acts, despite publication of instructions on doing so. The allegations are a case of "if it looks like a duck, walks like a duck and quacks like a duck . . . "

A statewide Conference on Conservation Law Enforcement last February in Prescott, Ariz., contained an agenda section on eco-terrorism, much of which was devoted to Earth First! tactics and publications.

Criminal acts in eco-terrorism are meant to achieve a political or social goal, said Ray Thompson, a Prescott National Forest official. The eco-terrorist takes concern for the environment to an extreme which exceeds the normal behavioral pattern accepted by society. Thompson said two tree spiking incidents were discovered on the Prescott National Forest last year.

The concept of "monkeywrenching" is aimed at destroying machinery, not injuring people, two Earth First! activists in Northern California said recently as part of a statement condemning tree spiking. ■

Building products earnings up, but decline expected

Integrated Canadian forest products companies took some severe hits to earnings in 1989. Newsprint profits were down sharply because of price discounting and the Canadian dollar's strength. By contrast, companies with heavy emphasis on building products did much better.

Damage from both Hurricane Hugo and the San Francisco earthquake strengthened building products markets in last year's fourth quarter. Newsprint has been in a down cycle for more than a year, while pulp prices started weakening late in 1989.

The result is a mixed bag for many producers, who have operations on both the solid-wood and pulp and paper sides.

According to industry analysts, the outlook isn't too bright for 1990-91. Most forest products markets are expected to continue declining throughout the two-year period, pulling earnings down with them. Declines are likely to be especially sharp on the paper side, where large increases in capacity are coming on line just in time to compete in already-weak markets.

Canadians saw the value of their dollar rise 3% during 1989, to 86.3 U.S. cents at the end of the year. The rising dollar eroded profits for most Canadian forest products, which are priced in U.S. dollars on world markets.

By mid-March, the Canadian dollar had slipped to 84.6 U.S. cents, but many Canadian producers consider this value still too high. ■

U.S. forest products companies, 1989 results ($ millions)

Company	Sales '89	% chg	Earnings '89	% chg
Boise Cascade	$4,338.0	5.9	$267.6	-7.5
Champion	5,163.2	2.8	144.6	-12.0
Chesapeake	813.1	14.3	47.6	-7.5
Georgia-Pacific	10,171.0	7.0	661.0	41.5
Intl. Paper	11,400.0	18.8	864.0	14.6
Louisiana-Pacific	2,009.5	11.7	392.6	-35.7
Pope & Talbot	618.8	20.2	43.6	38.6
Potlatch	1,227.6	13.2	136.7	21.7
Scott Paper	5,065.6	7.2	375.5	-6.3
Temple-Inland	1,894.2	6.8	207.4	4.1
Union Camp	2,761.5	3.8	299.4	1.4
Westvaco (10/31)	2,327.6	8.4	223.1	11.3
Weyerhaeuser	10,105.6	8.3	601.4	6.3
Willamette	1,891.8	10.2	191.1	18.6
Canadian companies				
Abitibi	C$3,257.7	-1.4	C$54.2	-71.6
Canadian Pacific FP	2,900.0	-3.3	220.1	31.9
Canfor	921.2	-15.0	96.4	-5.1
Doman	485.8	60.6	31.9	57.6
Domtar	2,515.0	0.6	33.0	-70.3
Fletcher Challenge	1,402.8	-4.7	120.0	-33.4
MacMillan Bloedel	3,273.7	0.0	246.7	-25.2
Noranda Forest	4,923.0	3.3	189.0	-28.1
Weldwood	767.6	-14.2	65.4	5.5
West Fraser Timber	550.0	18.6	28.4	-29.5

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